

Gap Insurance

What is Gap insurance?

Gap insurance covers the gap between what you owe on your auto loan and the current market value of your auto. If your insurance company decides your vehicle or motor home is a total loss, your collision coverage will only pay you the current market value. It will not cover any amount you may still owe on your loan.

Gap coverage **does not cover** any interest the lender charges you, late fees, and missed payments.

Insurance companies are not required to offer you Gap coverage, but **if you ask for it**, they are required to sell it to you.

How Gap coverage works

Example:

Loan balance of a 2006 vehicle or motor home on the date it's destroyed: \$18,000

Actual cash value on date it's destroyed: \$16,000

Payoff WITHOUT Gap coverage: \$16,000 (minus your deductible)

Loan balance after payment: \$2,000 (may vary if you have a deductible)

Payoff WITH Gap coverage: \$18,000

Loan balance after payment: \$0 (may vary if you have a deductible)

If you think you may need the additional coverage, ask your insurance agent or company about Gap coverage when you shop for a new vehicle or motor home.

Other options

If your insurance company determines that your vehicle is totaled and you don't have Gap coverage, you may want to contact your lender about possibly extending your existing loan to your replacement vehicle. This is called a collateral exchange. The lender will add the payoff amount (after the insurance payment) on your existing loan to your replacement vehicle loan. Most lenders will do this, but not all. Contact your lender to find out if this is an option.

The Office of the Insurance Commissioner can help you!

If you have any questions or need additional information about your rights as an insurance consumer, call our Insurance Consumer Hotline at

1-800-562-6900

or visit our Web site at

<http://www.insurance.wa.gov/>